

State of Oregon Economic Indicators™



August 2017

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How can I interpret the Oregon Measure of Economic Activity?

A reading of “zero” corresponds to the average growth rate for that particular region. In other words, the measures identify periods of fast or slow growth relative to trend.

What is the significance of the moving-average measures?

The monthly measures can be very volatile. To reduce the noise, it is helpful to focus on the average of the most recent data.

Is this approach used elsewhere?

Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.

What is the difference between the two measures?

The Oregon Measure of Economic Activity uses a methodology that allows for the incorporation of a larger number of variables. The University of Oregon Index of Economic Indicators focuses on a narrower set of variables using a different methodology used by the Conference Board to compute leading indicators for the United States. Using different indicators allows for a more complete picture of the Oregon economy.

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Review

A weak jobs report pulled down the Oregon Measure of Economic Activity in August to -0.09 from 1.37, but the decline is not reflective of underlying economic trends. The three-month moving average remained solidly in expansionary territory at 0.93 (“zero” indicates average growth over the 1990–present period). Of the four major sectors comprising the index, only the service sector, containing only employment components, made a negative contribution. Throughout the measure, weak employment components accounted for virtually all of the negative contributions. The Oregon Employment Department reported an overall decline of 9,500 job in August. The three-month moving average of economic activity suggest that this decline greatly understates the strength of the Oregon economy. Expect the jobs numbers to rebound in the months ahead.

The University of Oregon Index of Economic Indicators slipped in August, reversing most of

the July gain. The recent sideways movement of the UO Index suggests the economy is in a mature stage of the business cycle. Softer employment services payrolls (largely temporary employment), Oregon weight distance tax (a measure of trucking activity), a modest decline in average weekly hours in the manufacturing sector, and a narrower interest rate spread accounted for the decline. Note that the core (nondefense, nonaircraft) manufacturing new orders have remained in a fairly steady upward trend since May of 2016; the sector continues to recover from weakness in 2015 and early 2016, and indicates business investment is growing. New residential building units permitted jumped.

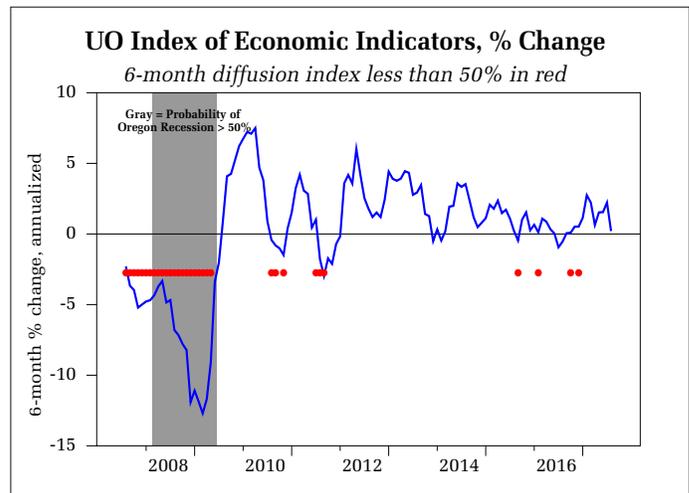
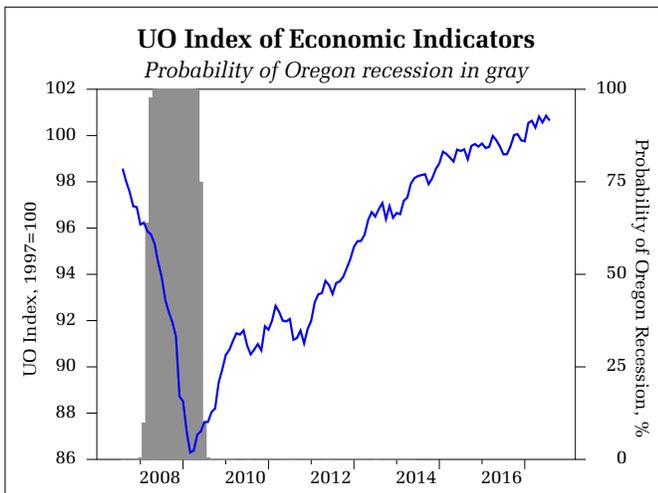
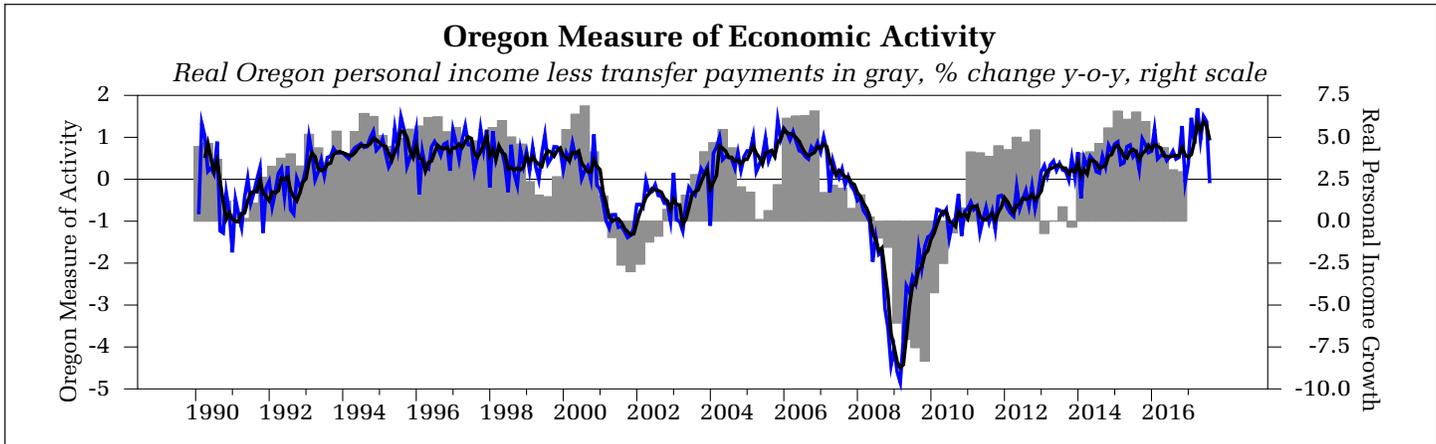
Together, these indicators suggest ongoing growth in Oregon at an above average pace of activity.

Contributions to Oregon Measure of Economic Activity – August 2017

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.06			
ISM Manufacturing: Supplier Deliveries Index	0.05			
Manufacturing Employment, Oregon	-0.04			
Hours, Manufacturing Production Workers, Oregon	0.10			
Manufacturing Exports, Oregon	0.00			
New Private Housing Units Authorized By Building Permit, Oregon		0.10		
Construction Employment in Oregon		-0.12		
Natural Resources and Mining Employment, Oregon		0.04		
Employment Services Employment, Oregon			-0.07	
Initial Unemployment Claims, Oregon			0.33	
Civilian Labor Force, Oregon			-0.01	
Unemployment Rate, Oregon			0.18	
Interest Rate Spread			0.03	
S&P500 Stock Index			0.00	
Consumer Sentiment, University of Michigan - Reuters			0.10	
Educational and Health Services Employment, Oregon				-0.04
Financial Activities Employment, Oregon				-0.06
Government Employment, Oregon				-0.06
Leisure and Hospitality Employment, Oregon				-0.42
Professional and Business Services Employment, Oregon				0.04
Other Services Employment, Oregon				-0.01
Trade, Transportation and Utilities Employment, Oregon				-0.09
Total By Sector	0.17	0.03	0.55	-0.84
	Jun-17	Jul-17	Aug-17	
Oregon Measure of Economic Activity	1.50	1.37	-0.09	
Three-Month Moving Average	1.38	1.27	0.93	

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University of Oregon Index of Economic Indicators – Summary and Components

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
UO Index of Economic Indicators™, 1997=100	100.6	100.3	100.8	100.6	100.9	100.6
Percentage Change	0.1	-0.3	0.5	-0.3	0.3	-0.2
Oregon Initial Unemployment Claims, SA*	4,222	4,303	4,031	4,094	4,057	3,936
Oregon Employment Services Payrolls, SA	40,873	41,035	41,155	40,847	40,473	39,837
Oregon Residential Building Permits, SA, 5 MMA*	1,539	1,425	1,502	1,535	1,544	1,679
Oregon Weight Distance Tax, SA, Index, 1998=100	120.12	117.26	119.44	119.53	121.97	119.02
Oregon Manufacturing Average Weekly Hours, SA	39.96	40.71	40.70	40.67	41.47	40.56
U.S. Consumer Sentiment, SA, 5 MMA	96.7	97.4	97.2	96.5	95.9	95.9
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	36,862	36,918	37,257	37,157	37,561	37,867
Interest Rate Spread	1.69	1.40	1.39	1.15	1.17	1.05

* SA—seasonally adjusted; MMA—months moving average



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